PROVINCIAL AUDITOR
of Saskatchewan

June 22, 2017

The Honourable C. Tochor
Speaker of the Legislative Assembly
Room 129, Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *Annual Report on Operations For the Year Ended March 31, 2017*, to be laid before the Legislative Assembly in accordance with the provisions of section 14.1 of *The Provincial Auditor Act*. The information in this Report reflects known events up to June 20, 2017.

Respectfully submitted,

Judy Ferguson

Judy Ferguson, FCPA, FCA
Provincial Auditor

/ah

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Table of Contents

Message from the Provincial Auditor ***1***

Understanding the Office of the Provincial Auditor ***5***

Purpose of the Office of the Provincial Auditor 6

Accountability of the Office 6

Auditor Independence 8

Maintaining Effective Systems and Practices 8

The Office's Employees 12

Operating Performance ***13***

Management Discussion and Analysis 14

2017 Operating Results by Strategic Goal 14

Audited Schedule of Actual Time Spent on Tasks 24

Audited Schedule of Results for Key Performance Measures 27

Financial Performance ***32***

Financial Discussion and Analysis 33

Management's Responsibility for the Financial Statements 35

Audited Financial Statements 36

Audited Schedule of Actual Costs to Audit Government Agencies 45

Independent Auditors' Report on Effectiveness of Financial-Related Controls 50

Independent Auditors' Report on Compliance with Authorities 51

Independent Auditors' Report on Significant Matters 52

Additional Information ***53***

List of Payees 54

Public Reports 55

Office Values 55

Glossary of Terms 56

Message from the Provincial Auditor

Message from the Provincial Auditor

This Annual Report completes the accountability cycle that began when the Office tabled its *2017 Business and Financial Plan* in December 2015. This Report explains the Office's operational and financial performance for the year ended March 31, 2017.

To give legislators and the public confidence in the reliability of the Office's administration, this Report includes unqualified independent audit reports on key aspects of the Office's operations, finances, and controls.

2016-17 was not without challenges.

The ***Operating Performance*** section of this Report shows that the Office achieved all but three of its ten performance targets. We are pleased to report that the Government has acted on more than 90% of the recommendations the Office has made. In addition, on an overall basis, government officials acknowledge the value of and indicate satisfaction with the Office; and Office staff express satisfaction with its working environment.

During 2016-17, the Office provided 72% of its reports to Government agencies by the agreed upon dates instead of 75%. The following factors affected the timing of the Office's audit work. During the year, the Office issued a special report—*Special Report: Land Acquisition Processes – The Global Transportation Hub Authority and Ministry of Highways and Infrastructure* in addition to its two routine audit-related reports—Volume 1 and Volume 2. Completing the two audits included in the Special Report along with the Government's decision to change the fiscal year-end of the CIC Crown corporations disrupted the Office's normal workflow. In addition, the Office had higher than anticipated turnover of manager-level staff. This is reflective of its staff being sought after and a strong market for new professional accountants. The Office is reassessing its scheduling and planning to improve the timeliness of its work, and is monitoring the impact of market conditions on staff retention.

Also, in 2016-17, staff spent about 6% of their available hours on training activities instead of 7%. The Office encouraged staff to access, where possible, specialized training available in province or webinars to reduce travel time and costs. In addition, staff deferred some training to meet agreed upon dates for audit work. The Office's staff must maintain strong management and technical knowledge to deliver quality audits. The Office operates in an environment of multiple and ever shifting priorities.

The Office recognizes serving legislators effectively includes having the public aware of and understand its work and role. Currently, about one-third of the public are aware of the Office and its role. The Office is relooking at its communication strategies to better inform the public about the results of the Office's work.

The ***Financial Performance*** section of this Report shows that the Office operated within its approved appropriation, prepared reliable financial statements, maintained effective financial-related controls, and complied with its governing authority—*The Provincial Auditor Act*.

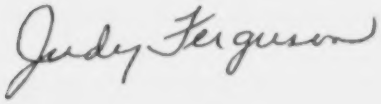
During 2016-17, in view of fiscal restraint across the Government, the Office adjusted its work priorities to complete the unanticipated audits included in the Special Report without accessing the contingency appropriation. In addition, it increased its use of contract staff to offset higher than anticipated staff turnover and to obtain the necessary expertise for its audits of various non-financial areas.

The Office's success depends on the efforts of many people including the expertise and professionalism of its staff. I thank them for their professionalism, continued support, dedication, and hard work.

The Office also recognizes the contribution of legislators, government officials, and appointed auditors to its success. It appreciates and values their co-operation and assistance.

Furthermore, the Office fully recognizes that the Standing Committee on Public Accounts' careful public review of the Office's reports helps ensure its work makes a difference. We thank the Committee for its attention and support in this regard.

Sincerely,



Judy Ferguson, FCPA, FCA
Provincial Auditor

The Provincial Audit Team

Understanding the Office of the Provincial Auditor

Purpose of the Office of the Provincial Auditor

For the parliamentary system of government to work properly, it must have the public's confidence. To merit this confidence, government programs must be effective, open, and accountable to the public. One important responsibility of the Legislative Assembly is to hold the Government of Saskatchewan accountable for its management of public resources. The Office of the Provincial Auditor contributes to this accountability process. **Exhibit 1—Impact of the Office's Work** shows the Office's related outputs and outcomes.

The Office's work and reports affect public confidence in the Government. They provide legislators and the public with critical information on whether the Government's financial and other reports are reliable, the Government uses effective processes to safeguard the resources with which it is entrusted (public resources), and the Government has complied with governing authorities.

The Office:

- Recommends improvements to the Government's management of public resources and compliance with authorities
- Encourages discussion and debate about public sector management and accountability issues
- Assists the Standing Committee on Public Accounts and the Standing Committee on Crown and Central Agencies in carrying out their mandates in holding the Government to account
- Develops professionals for the public service
- Supports and adheres to the professional assurance standards as published by the Chartered Professional Accountants of Canada (CPA Canada)

The Office's work and reports contribute to informed decision making in government. This, in turn, helps the Government carry out its responsibility using sound management practices.

Accountability of the Office

The Office is accountable to the Legislative Assembly through the Standing Committee on Public Accounts Committee (PAC). Key accountability mechanisms in *The Provincial Auditor Act* (Act)[1] require the Provincial Auditor to:

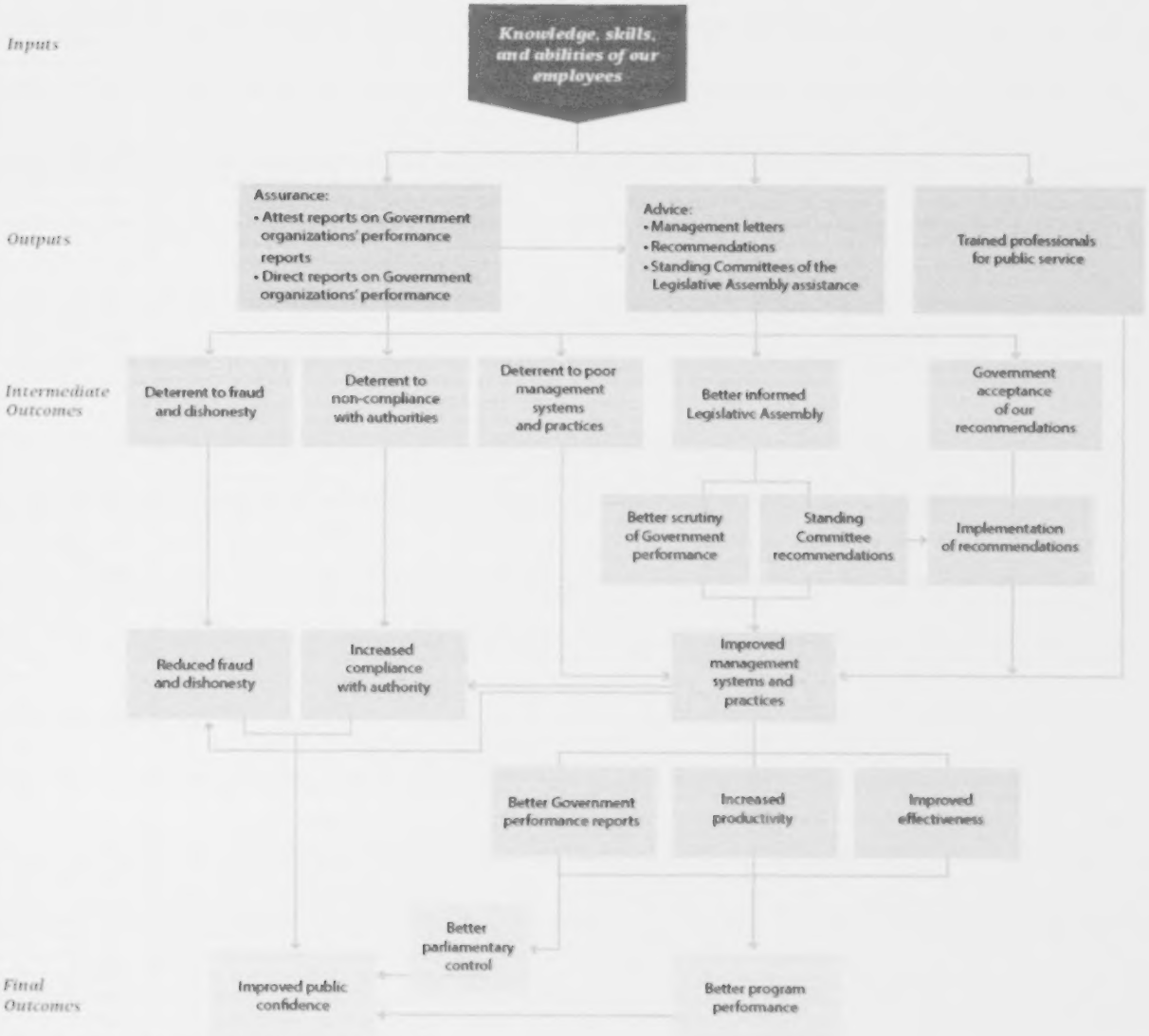
- Prepare and submit, each year, key accountability documents to PAC—a business and financial plan, and an annual report on operations that includes audited financial statements
- Present to PAC, for its review and approval, its annual funding request and supplementary estimates (if any)
- Provide PAC with, for its information, the Office's human resources and financial management policies, and quarterly financial forecasts
- Use Canadian generally accepted auditing standards to carry out its audits
- Be a member in good standing of the Institute of Chartered Professional Accountants of Saskatchewan including maintaining firm and member licensing requirements for the provision of professional accounting services[2]

[1] *The Provincial Auditor Act* was last amended on May 15, 2015. Amendments included adding accountability mechanisms, changing the appointment of the Acting Provincial Auditor, handling of suspension of the Provincial Auditor when the Assembly is not in session, and changing the term of the appointment of the Provincial Auditor from ten years to eight years (non-renewable).

[2] *The Provincial Auditor Act* deems the Provincial Auditor a firm for the purposes of *The Accounting Profession Act*.

The Rules and Procedures of the Legislative Assembly of Saskatchewan require PAC to review and report to the Assembly on the results of its review of the Provincial Auditor's reports. PAC's reports to the Assembly include whether it agrees with recommendations the Office makes in its reports.

Exhibit 1—Impact of the Office's Work



Source: Working group of Canadian legislative auditors

Auditor Independence

Auditor independence is critical for a successful legislative audit regime. Auditor independence allows auditors to exercise objectivity—to not be compromised by bias, conflict of interest, or undue influence of others. Independence also enhances professional skepticism (i.e., appropriate challenge of management's assertions).

To achieve auditor independence, the Provincial Auditor, the Office, and its staff must be independent of the Government and be able to exercise that independence—they must be able to make decisions without being affected by influences that would compromise their judgment.

The Provincial Auditor Act provides the legislative framework for the independence of the Office and its staff.

- The Act creates an independent Officer of the Legislative Assembly called the Provincial Auditor with the responsibility for auditing all government agencies and reporting the results directly to the Legislative Assembly.
- The Act ensures the Provincial Auditor is independent from elected and appointed officials including the Assembly's committees and boards.

  PAC, an all-party committee that does not include Cabinet ministers, unanimously recommends the Provincial Auditor for appointment by the Legislative Assembly for an eight-year non-renewable term. The Act sets the Provincial Auditor's salary and benefits (e.g., equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year).

  The Act requires a resolution of the Legislative Assembly to remove the Provincial Auditor from office for cause.

  The Act makes the employees of the Office part of the Legislative Branch of the Government (i.e., not part of the Executive Branch of Government) and not members of the public service of Saskatchewan. The Act gives the Office's employees access to similar benefits as those available to public servants.
- The Act also requires PAC to review the Office's annual *Business and Financial Plan* and recommend the annual funding for the Office.

  The Act gives the Provincial Auditor administrative independence—the power to administer, manage, and control the Office and general business, and oversee and direct the Office's staff. This includes deciding which employees to hire and at what rate, what audit work that it needs to do, and how to carry out the work.

The Office has put into place additional safeguards to enable staff to act with integrity, and exercise objectivity and professional skepticism.

Maintaining Effective Systems and Practices

Sound risk management and effective systems and practices are essential for the Office's management and use of public resources. As part of risk management, the Office identifies and assesses the possible adverse consequences that it may experience from events or circumstances. Because it is not cost effective to have no risks, the Office accepts some. It uses established systems and practices to reduce those risks to an acceptable level and implements strategies to manage residual risks.

The Office maintains strong systems and practices supported by policies and procedures so that:

- The Office provides quality services and products at a reasonable cost

- The Office's work is relevant—it assists in strengthening and advancing the Government's ability to achieve intended results
- The scope of the Office's work covers all government agencies accountable to the Legislative Assembly and the people of Saskatchewan
- Stakeholders understand and value the Office's work

The following briefly describes the Office's key systems and practices for each of these areas.

Quality Work at a Reasonable Cost

Doing independent, reliable, and quality work at a reasonable cost is vital to the Office's success. These attributes are also essential for the Office's stakeholders to value its work. The Office must understand the challenges that the Government faces. Also, its work must help improve the performance of government programs.

The Office keeps abreast of changes to and complies with the accounting and auditing profession's generally accepted standards of practice as published by CPA Canada. The objective of these standards is to maintain and enhance the quality of audit work.

The Office's established system of quality control includes documented quality control policies and procedures. This system includes the following elements: leadership responsibilities for quality within the Office, ethical requirements, acceptance of specific assurance work, human resources, engagement performance, and monitoring.

The Office's quality control system promotes recognition that quality is essential in audit work. It helps ensure the Office and staff comply with professional standards and legal requirements. It also ensures that the Office's audit reports are reliable. The Office's internal documentation, training materials, and staff appraisal procedures make certain staff are aware of and adhere to the Office's quality control policies and procedures, and reinforce the view that quality is essential in its audit work.

The Office closely monitors potential threats to its independence and reports to the Assembly when it is concerned about threats to its independence. It maintains objectivity and independence in its work. Accordingly, the Office asks staff to confirm annually, in writing, that they comply with its objectivity and independence standards. The Office changes senior staff on significant audits at reasonable intervals.

Having skilled legislative auditors is essential to quality audits. The Office maintains hiring, training, and performance evaluation policies. These help the Office attract and retain staff with the required knowledge and expertise, provide staff with the necessary knowledge, skills, and abilities to do their work, and provide compensation competitive with the Government. These also help the Office broaden staff skills in key sectors (e.g., health, education, and social services), IT, and general management. Where the Office does not have the knowledge and expertise needed on staff for a specific audit, it contracts for such.

In addition, because the quality and cost of its work is directly related to its employees' productivity, the Office actively plans for the use of its employees' time and monitors their use of time. It compares planned to actual results, and explains and acts on differences. It plans for and manages staff turnover. Also, it monitors its employees' views of the Office's working environment and makes adjustments so that it provides a positive and respectful working environment and one that fosters a culture consistent with the Office's values.

The **Schedule of Actual Time Spent on Tasks** compares the actual use of the Office's employees' time with planned use. The actual information for 2015, 2016, and 2017 is audited. The Office's external auditor[3] reported in the **Independent Auditors' Report on the Schedule of Actual Time Spent on Tasks** that the information is reliable. (See the **Operating Performance** section for details.)

The Office's established management practices promote effective use of resources. These practices include setting direction, setting performance targets, monitoring values, training staff, maintaining procedural manuals, delegating authority, processing transactions, and monitoring and reporting results.

In addition, the Office uses standard methods for carrying out its work and continually changes its methods to reflect best practice. To identify best practice, it continually compares its methods with other legislative auditors and private sector auditors. Its methods cover how it plans, executes, supervises, reviews, and reports its work. It monitors all of its work so that the work meets its standard methods. Also, it has well-defined procedures for working with private sector auditors who audit government agencies (appointed auditors).

The Office's reporting processes help ensure it reports its work by established deadlines and within the planned costs set out in its annual business and financial plan. The Office tracks, monitors, and forecasts the cost of each audit. It explains and acts on differences between planned and actual costs. It also routinely compares its costs with private sector auditors' costs to audit government agencies.

The Office maintains effective financial management systems and practices that include using an appropriate code of conduct, written policies and procedures, and an organizational structure that segregates incompatible duties.

Consistent with prior years, the Office's external auditor concluded that the Office's financial-related controls were effective and that it complied with provisions of *The Provincial Auditor Act*. (See the **Financial Performance** section for details.) These reports provide the Legislative Assembly with assurance that the Office is fulfilling its responsibilities.

Relevant Work

The Office sets goals and priorities that will result in relevant assurance and advice for its stakeholders. The Office maintains a **five-year strategic plan**. The strategic plan provides a foundation for developing the Office's annual business and financial plans provided to the Public Accounts Committee.

To help direct its efforts toward relevant issues, the Office's planning processes seek external input. They include identifying external forces, emerging trends, and risks; and assessing their impact on the Office and its plans.

How the Government manages its risks affects the nature and extent of the Office's work. The Office uses a risk-based model to focus its work. The Office focuses its efforts on helping its stakeholders address the challenges and opportunities emerging from external forces and trends.

The Office's reporting processes include reporting its assurance and advice directly to the Legislative Assembly and the Government. Its reports contain the matters that, in the Office's view, are significant to the Assembly and the public.

[3] The external auditor of the Office is appointed by the Lieutenant Governor in Council on the recommendation of PAC pursuant to section 27 of *The Provincial Auditor Act*.

Before submitting its Reports to the Assembly, the Office prepares and discusses the results of each audit with the applicable agency. This includes meeting with agencies to confirm the findings and gain support for its recommendations. When deciding what to report, the Office considers whether the matter:

- Affects the Assembly's ability to control the financial activities of the Government or to hold the Government accountable for how it administers public money
- Involves improving how the Government administers public money or its compliance with legislative authorities
- Involves non-compliance with legislative authorities

At the end of each audit, it issues a final report to the Minister responsible, senior officials of the agency and, if applicable, the chair of the governing body (e.g., board) with a copy to the Chair and Secretary of Treasury Board and to the Provincial Comptroller.

The Office uses surveys to assess the satisfaction of agencies it audits with its work. It also continuously seeks advice from stakeholders when it works with appointed auditors.

Scope of Work

As part of its annual business and financial planning process, the Office prepares an annual work plan that covers all government agencies. Because the Legislative Assembly, Cabinet, and government agencies create or wind up other government agencies, the Office monitors their actions and continually changes its list of government agencies. It estimates the costs of carrying out the work plan and asks the Assembly for the money to carry out the plan.

Stakeholders Understand and Value Work

Gaining and keeping the trust of legislators and the public is essential to the viability of the Office. The Office must provide independent, relevant, and reliable information that is consistent with legislators' objectives. To do this, the Office works closely with the following legislative committees:

- **The Standing Committee on Public Accounts** (PAC) helps the Assembly hold the Government accountable for its management of public resources. PAC reviews, examines, and evaluates the activities of government ministries and Crown agencies. PAC is required to review and report to the Assembly on the results of its review of the Public Accounts and of the Reports of the Office. Because of its scrutiny role, PAC functions as the audit committee for the Legislative Assembly and thus, for the public. The Office works with PAC to carry out its mandate. In 2016-17, PAC approved the Office's 2017-18 request for resources as set out in its *2018 Business and Financial Plan* and met ten times to review the Office's reports.
- **The Standing Committee on Crown and Central Agencies** helps the Legislative Assembly hold the Government accountable for its management of the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiary corporations, supply and services (e.g., Ministry of Central Services), central government agencies (e.g., Ministry of Finance), liquor, gaming, and all other revenue-related agencies and entities. The Committee does this, in part, by reviewing chapters in the Office's reports, and the annual reports and financial statements of agencies within its subject area. It reports to the Assembly on the results of its review. These reports may contain recommendations resulting from our audit work. In 2016-17, the Committee met two times to review the Office's reports.

The Office has processes to prepare reliable plans and performance reports. These documents convey vital information about the Office. It uses its plans and reports to communicate to its stakeholders who it is, its plans, the results of its work, and its performance. It seeks and monitors the views of its stakeholders on its

plans and performance. Each year, it provides the Assembly with its annual business and financial plan and an annual report on operations. PAC reviews and provides its advice on these reports.

To fulfill its statutory duties, the Office needs sufficient resources to employ competent people. It also needs enough resources to equip, support, and house its employees. It needs the support of legislators to get the required resources. To gain this support, the Office has established processes to ensure that its work is both relevant to legislators and reliable. It publishes a business and financial plan and an annual report on operations to build legislators' support for its request for resources. When it does not have enough resources to pay for the cost of its workforce, it reduces the size of its staff. When this happens, it does not do all the work the law requires it to do and it advises its stakeholders.

The Office uses processes to report its assurance and advice to the Legislative Assembly and its other stakeholders in a clear, accessible, and timely manner. It monitors legislators' and the Government's acceptance of its recommendations and routinely follows up unimplemented recommendations. It makes its plans and reports readily accessible to legislators, the public, and government officials. It monitors the use of its reports (e.g., by legislators, legislative committees, and the public).

The Office's Employees

The Office's employees are its most valuable resource in the delivery of quality and timely products and services to its stakeholders. To have the right balance of skills, knowledge, and expertise the Office needs professional staff with a mix of financial-related and non-financial related skills. During 2017, the Office employed 61 full-time equivalent positions. At March 2017, 30 of its employees were professional accountants and 21 were training to become professional accountants. Approximately one-third of the Office's employees, in addition to being professional accountants, have other training or hold non-accounting designations (e.g., human resources, risk management, information systems audit, pension plan administration, internal audit, public administration).

Creating and maintaining an environment that encourages and rewards ongoing learning is crucial to the Office's success. The Office supports employees in broadening their knowledge and skills through their participation and leadership roles on relevant provincial and national committees (such as professional accounting bodies and legislative audit forums). During 2017, 13 employees were involved in 17 national and 6 provincial committees/boards including the Canadian Council of Legislative Auditors, Institute of Chartered Professional Acccountants of Saskatchewan, Institute of Internal Auditors of Canada, and Chartered Professionals in Human Resources Saskatchewan.

The Office trains professionals for the public service (primarily professional accountants). During the year ended March 31, 2017, four employees left the Office to accept public sector positions. Their experience with the Office provides them with a strong foundation to contribute to improved management systems and practices in those agencies.

Operating Performance

Management Discussion and Analysis

Background for Measuring the Office's Performance

The Office has the following three primary outputs (services) as explained in its *2017 Business and Financial Plan* and reflected in **Exhibit 1—Impact of the Office's Work** – assurance (audit reports), advice, and trained professionals for the public service.

The Office provides assurance through its reports on the reliability of financial statements, compliance with authorities, and the effectiveness of management systems and practices on the Government, sectors of the Government, and on each government agency. The Office's advice is a by-product of its assurance work. The Office provides assurance and advice to:

- Government officials through letters setting out its conclusions, findings, and recommendations for improvement.
- The Legislative Assembly and the public in its public reports to the Assembly. These reports summarize its work at government agencies.

As shown in **Exhibit 1—Impact of the Office's Work**, the Office's assurance and advice results in two final outcomes—improved public confidence in government and better performance in the delivery of government programs. The Office also makes recommendations to encourage the Government to improve the delivery of its programs.

2017 Operating Results by Strategic Goal

Introduction

During 2015-16, the Office undertook a strategic planning process that resulted in a new five-year strategic plan for the period April 1, 2016 to March 31, 2021. The Office sought external input at key stages including consulting with key stakeholders and legislators prior to finalizing the plan in 2016-17. The approved plan was included in the Office's *2018 Business and Financial Plan.*

During its planning processes, the Office updated its goals, strategic priorities, and related performance measures and targets. The plan includes four strategic goals and supporting priorities. The Office's supporting strategic priorities reflect areas of focus or change conditions that require the Office to invest time and resources to achieve its strategic goals.

As reflected in **Exhibit 2—2017 - 2021 Strategic Plan**, the Office has set measures for each of its four strategic goals.

Exhibit 2—2017 – 2021 Strategic Plan

VISION

A valued and independent legislative audit office advancing excellence and inspiring confidence in public sector performance

MISSION

We promote accountability and better management by providing Legislators and the public with an independent assessment of the government's use of public resources

STRATEGIC GOALS

- Demonstrate focus on the most relevant audit areas
- Sustain an engaged work force that contributes to the Office's success
- Improve our delivery of reliable audits at a reasonable cost
- Increase the awareness of the role of the office

STRATEGIC PRIORITIES

- Seek input from key stakeholder groups to identify areas of focus
- Streamline processes to determine areas of focus
- Communicate multi-year work plan with key stakeholders

- Support leadership development
- Enhance strategies to recruit/retain staff
- Equip staff to effectively manage change

- Continuously improve our work
- Meet professional standards
- Deploy resources based on reasonable budgets and deadlines

- Educate the legislators, public, and public sector agencies about the work we do
- Enhance accessibility to the work we do

PERFORMANCE MEASURES

- Government acts on the Office's recommendations
- Assembly's acceptance of the Office's recommendations
- Auditees' value of and satisfaction with the Office's work

- Employees' satisfaction with their working environment
- Proportion of working hours spent on training

- Timely assurance on reports to agencies and the Assembly
- Work is completed within planned costs
- External reviews do not report any significant deficiencies

- Public familiarity with the Office

The complete *2017 – 2021 Strategic Plan* is available at https://auditor.sk.ca/about/2017-2021-strategic-plan.

The following compares the Office's actual results to planned (target) for each measure of success towards meeting its 2017-2021 strategic goals. This section should be read along with the audited **Schedule of Results for Key Performance Measures**.

Consistent with prior years, the Office's external auditor has reported in the **Independent Auditors' Report on the Schedule of Results for Key Performance Measures** that the Office's performance information was relevant, reliable, and understandable.

Goal 1 – Demonstrate focus on the most relevant audit areas

The Provincial Auditor Act (Act) makes the Office the auditor of all Provincial Government ministries and agencies. As an independent legislative audit office, the Office is uniquely positioned to carry out objective and unbiased audits independent of the Government.

The Office carries out various types of audits (e.g., integrated [financial-related], performance, and follow-ups) using Canadian professional auditing standards. The Act gives the Office the power to decide what work to do, how to carry it out, and when.

For the Office's work to be relevant, it must focus its efforts on areas of public interest, and on where it can add value to its clients, and other key stakeholders. The Office must consult with key stakeholders to understand their needs and perspectives, share its plans, and explain the impact and value of its work.

The Office measures its success in demonstrating focus on the most relevant audit areas using the following measures:

- Government acts on the Office's recommendations
- Assembly's acceptance of the Office's recommendations
- Auditees' value of and satisfaction with the Office's work

Government Acts on the Office's Recommendations

Rationale and description of measure: The Office makes recommendations to help improve the Government's performance reports (e.g., financial statements) and its delivery of programs. The extent to which the Government acts on recommendations demonstrates that the recommendations reflect areas that are important to improve public sector management and, in part, the impact of the Office's work. The Office groups its recommendations into two types:

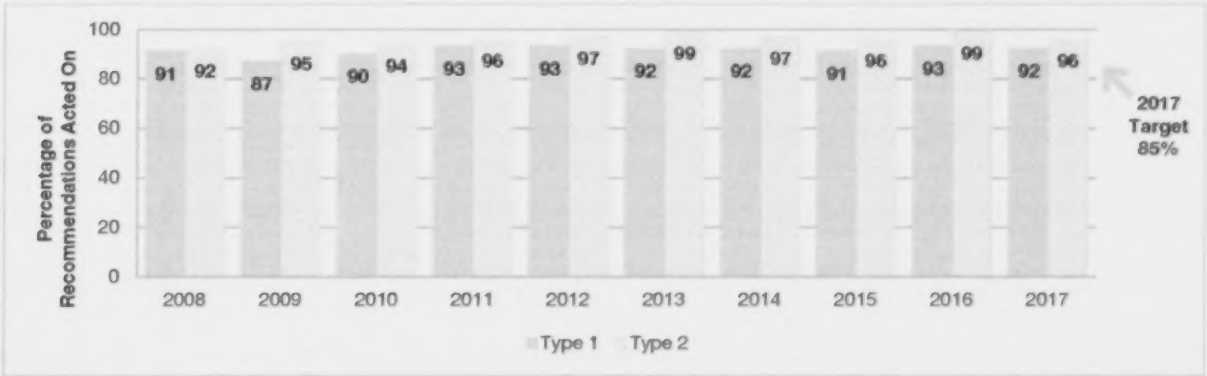
- **Type 1** recommendations are those that are less complex, easier to carry out, and can be implemented in one year; these are tracked over a five-year period (e.g., April 2012 to March 2017 for the current reporting period)
- **Type 2** recommendations are those that are more difficult to carry out and may take up to five years to implement; these are tracked over a 10-year period (e.g., April 2007 to March 2017 for the current reporting period)

The Office made 299 Type 1 and 307 Type 2 recommendations during the current reporting period.

2017 Target: The Government acts on 85% of the Office's recommendations.

2017 Results: Target met – In 2017, the Office achieved its target. The Government acted on 92% of Type 1 and 96% of Type 2 recommendations. **Exhibit 3—Percentage of Recommendations Acted on by the Government from 2008 to 2017** shows the 10-year trend of percentage of recommendations acted on by the government.

Exhibit 3—Percentage of Recommendations Acted on by the Government from 2008 to 2017



Assembly's Acceptance of the Office's Recommendations

Rationale and description of measure: The support of the Standing Committees on Public Accounts and Crown and Central Agencies (Committees) is critical to help hold the Government accountable and help improve public sector management. The Office makes recommendations to help improve accountability and the delivery of programs. The Committees' acceptance of our recommendations is an indication of the Assembly's confidence in and satisfaction with the Office's work.

The Committees' established practice is to decide whether they agree with the Office's recommendations in their review and consideration of the Office's reports.

The extent to which each Committee accepts recommendations demonstrates the Committee thinks the recommendations reflect areas that are important to improve public sector management and /or accountability.

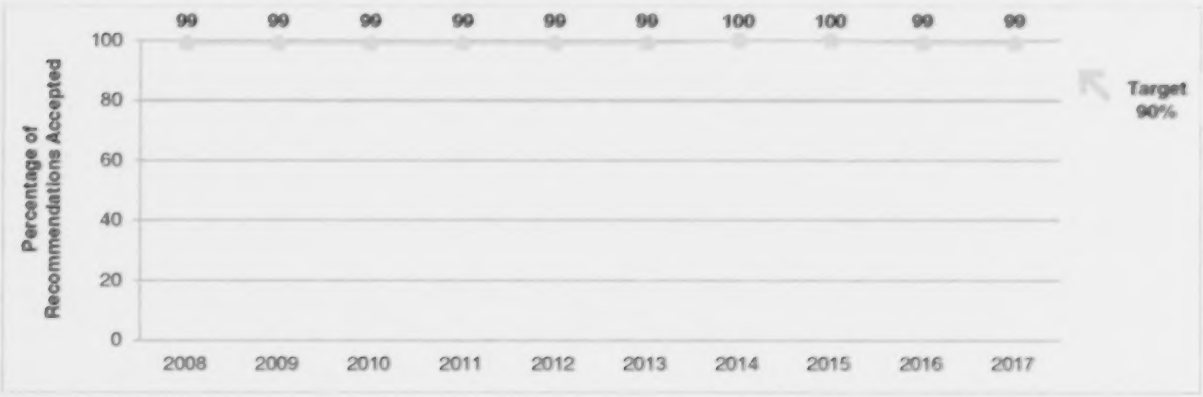
The Office tracks the Committees' consideration of its recommendations over a five-year period using Committee decisions as reflected in the Committees' minutes (i.e., from 2012 to 2017 for the current reporting period).

During the period April 1, 2016 to March 31, 2017, PAC held 11 meetings and considered 137 recommendations from the Office's reports at 10 of those meetings. During the same period, the Crown and Central Agencies Committee held 14 meetings and considered 23 recommendations from the Office's reports at 2 of those meetings.

2017 Target: Committees accept 90% of the Office's recommendations.

2017 Results: Target met – For 2017, **Exhibit 4—Percentage of Recommendations Considered and Accepted by Legislative Committees from 2008 to 2017** shows that the Committees accepted, or partly accepted, 99% of the Office's recommendations that they considered. **Exhibit 4** shows that the Office achieved its target in each of the past 10 years.

Exhibit 4—Percentage of Recommendations Considered and Accepted by Legislative Committees from 2008 to 2017



Auditees' Value of and Satisfaction with the Office's Work

Rationale and description of measure: The management of public sector ministries and agencies are key stakeholders of the Office—they are who we audit (auditees). For the Office to be successful in its vision and mission, auditees must view the Office's work as being relevant and valuable.

The Office surveys agencies it audits to obtain their feedback on their satisfaction with the Office's work. It tracks their feedback over a five-year period. Since 2014, the survey asks auditees to:

- Acknowledge the value of the Office's work related to whether:
  - Reports to the agency's Minister were understandable, accurate, and relevant (reports)
  - Recommendations to the agency were feasible and result in proper management of public resources and accountability (recommendations)
- Indicate their level of satisfaction with the Office's work related to whether:
  - Planned work for the agency met its needs and that the Office carried out its work according to the plan (responsiveness)
  - Office employees were knowledgeable and carried out their work professionally and courteously (professionalism)

2017 Target: Post-audit feedback shows agencies acknowledge the value of and indicate satisfaction with the Office's work.

2017 Results: Target met – As set out in **Exhibit 5—Agencies' Value of and Satisfaction with the Office's Work from 2013 to 2017**, survey responses indicate agencies value and are satisfied with the Office's audit work. During the five-year period of April 2012 to March 2017, 54% of agencies responded to the Office's survey (148 responses out of 274 surveys sent) (2016 response rate: 50%).

Exhibit 5—Agencies' Value of and Satisfaction with the Office's Work from 2013 to 2017

Criteria	2013	2014[1]	2015	2016	2017
Responsiveness	satisfied	satisfied	very satisfied	very satisfied	very satisfied
Professionalism	very satisfied	very satisfied	very satisfied	very satisfied	very satisfied
Reports	very satisfied	very valuable	very valuable	very valuable	very valuable
Recommendations	very satisfied	very valuable	very valuable	very valuable	very valuable

[1] 2014 was the first year that the Office surveyed auditees about the value of its work in addition to satisfaction with its work.

Goal 2 – Sustain an engaged work force that contributes to the Office's success

The Office operates within an environment of constant change with ever shifting priorities. Recent key changes directly affecting the Office include new professional assurance standards for non-financial work, the impact of the amalgamation of the professional accountancy profession on staff training and employment opportunities, a robust job market for manager-level staff, and fiscal pressures across government.

The Office carries out both financial and non-financial audits. Approximately 20% of the Office's work relates to non-financial audits. Besides training staff to become professional accountants and strategically contracting expertise for its non-financial work, the Office must attract and retain staff with diverse skill sets (e.g., financial, IT, internal control systems, performance management, governance, risk management).

The Office's staff are its most valuable resource because the quality and timeliness of the Office's work depends on their knowledge, skills, and professionalism. The Office must make sure its staff have and maintain the necessary knowledge and skills; it must provide staff with a supportive work environment conducive to facilitating timely and quality work.

The Office measures its success in sustaining an engaged work force that contributes to the Office's success using the following measures:

- Employees' satisfaction with their working environment
- Proportion of working hours spent on training

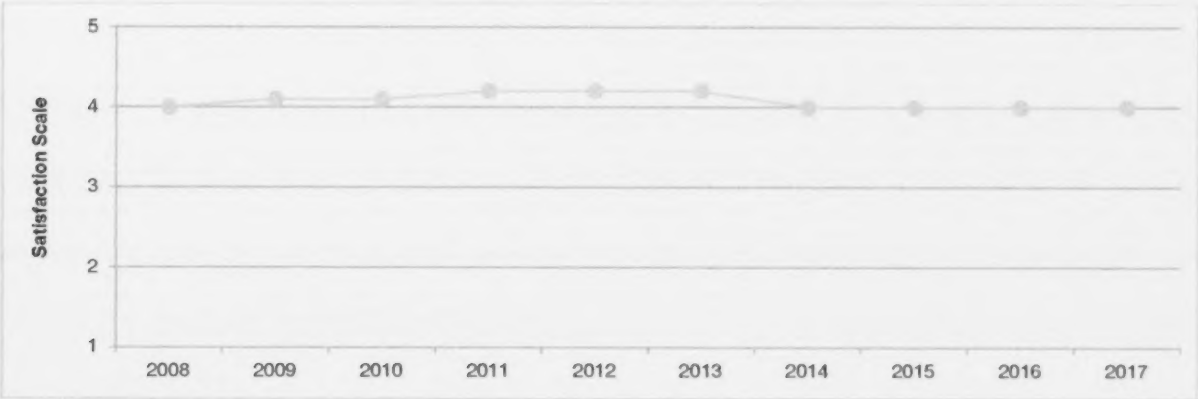
Employees' Satisfaction with their Working Environment

Rationale and description of measure: A good working environment for employees assists with employee productivity and retention. The Office surveys employees on satisfaction each year. The survey gives employees an opportunity to express their level of satisfaction on 11 key indicators of the Office's working environment. The survey uses a rating scale of one through five where five is the most positive response.

2017 Target: Survey results show a positive level of employee satisfaction with the Office's working environment.

2017 Results: Target met – Employee satisfaction remained positive over the past year. **Exhibit 6—Cumulative Average Response for All Indicators of Employee Satisfaction from 2008 to 2017** shows employee satisfaction has remained stable over the last 10 years. In 2017, 79% of staff responded to the survey (2016: 85%).

Exhibit 6—Cumulative Average Response for All Indicators of Employee Satisfaction from 2008 to 2017



Proportion of Working Hours Spent on Training

Rationale and description of measure: To maintain staff competencies and its status as a training office for legislative auditors, the Office must allocate sufficient resources for training activities. The Office tracks the time each employee spends on training activities.

Available working hours are the amount of time available after deducting vacation leave, statutory holidays, and sick leave.

2017 Target: Time spent on training activities averages a minimum of 7% of available working hours.

2017 Results: Target not met – The **Schedule of Actual Time Spent on Tasks** shows that the Office spent 6% of available working hours on training activities. Staff accessed more than expected specialized training available in Saskatchewan and via webinars thereby decreasing travel time to attend such events. The Office anticipates meeting its training target in 2018 as the implementation of some of the new strategic plan initatives will require staff training.

Goal 3 – Improve the Office's delivery of reliable audits at a reasonable cost

The Office's advice, findings, and recommendations must be accurate, fair, timely, and understandable for them to be of value to legislators, the public, and those we audit.

The Office must keep its audit methodology current and aligned with professional standards. In addition, it must implement its methodology efficiently and economically. This includes accepting new ideas and change.

The Office measures its success in improving its delivery of reliable audits at a reasonable cost using the following measures:

- Timely assurance on reports to agencies and the Assembly
- Work is completed within planned costs
- External reviews by CPA Saskatchewan practice inspectors, Canadian Council of Legislative Auditors (CCOLA) peer reviewers, and the Office's external independent auditor do not report any significant deficiencies

Timely Assurance on Reports to Agencies and the Assembly

Rationale and description of measure: Legislators, the public, and government agencies need timely assurance to have confidence in the Office's findings and recommendations.

The Office regularly schedules the completion of its reports on the results of its work to the Assembly (e.g., Volume 1). The Office reports the results of audits in the report following their completion. Consistent with *The Provincial Auditor Act,* the Office submits its reports to the Speaker for tabling in the Assembly.

The Office compares the timeliness of its reports to government agencies to established planned dates. The Office establishes deadlines when planning each audit. The Office sets out planned dates in audit plans discussed with and provided to government agencies. For financial statement audits, it sets planned dates consistent with statutory tabling deadlines.

2017 Targets: The Office submits Volume 1 for tabling within the first two weeks of June and Volume 2 within the first two weeks of December. The Office provides at least 75% of its reports to government agencies by agreed upon dates.

2017 Results:

Target met – The Office tabled its *2016 Report - Volume 1* on June 7, 2016, and *2016 Report - Volume 2* on December 8, 2016.

Target not met – The Office provided 72% of its reports to government agencies by the agreed upon dates (2016: 80%). The following impacted the Office meeting its deadlines: unanticipated significant additional work required for the *Special Report: Land Acquisition Processes – The Global Transportation Hub Authority and Ministry of Highways and Infrastructure*; the Government's decision to change the fiscal year end of certain crown corporations from December to March; and higher than anticipated staff turnover. The Office continues to work on improving the timeliness of its issuance of reports (management letters) to agencies. As mentioned previously, auditee survey responses reflect agencies are satisfied with the responsiveness of the Office's work.

Work is Completed Within Planned Costs

Rationale and description of measure: The Office wants to provide relevant, reliable, and timely products and services at a reasonable cost. The Office tracks the planned and actual costs to examine each government agency each year.

The Office's annual *Business and Financial Plan* sets out planned costs to examine government agencies for the year of the Plan. The Office's *Annual Report on Operations* compares the planned to actual costs to examine agencies for that year and explains significant differences, if any.

2017 Target: The Office completes audits within planned costs as set out in its approved budget.

2017 Results: Target met – The Office completed most of its work within planned costs as set out in its *2017 Business and Financial Plan*. Significant differences between planned and actual costs are explained in the footnotes to the **Schedule of Actual Costs to Audit Government Agencies**.

The audited **Schedule of Actual Costs to Audit Government Agencies** compares the Office's actual costs to examine government agencies for years ending in the period January 1, 2016 to December 31, 2016 with its planned costs. In the **Independent Auditors' Report on the Schedule of Actual Costs to Audit Government Agencies**, the Office's external auditor reported that the actual cost information is reliable.

External Reviews Do Not Report Any Significant Deficiencies

Rationale and description of measure: The following three external reviewers assess the Office's quality of and compliance with policies and practices to provide quality audits.

CPA Saskatchewan conducts practice inspections of the Office about every three years. In its inspections, it determines whether the Office has policies, practices, and procedures in place that would enable it to provide public accounting services in accordance with the standards of the Canadian accounting profession.

On a voluntary basis, the Office participates in the Inter-jurisdictional Peer Review Process of CCOLA. Every second year, it asks another legislative audit office, through a review of a number of its audit files, to determine whether its audit work complied with generally accepted auditing standards published by CPA Canada (professional standards).

The Assembly requires an annual audit of the Office by an auditor who is independent of the Office and who has the same audit responsibilities as the Office. Each year, this auditor provides the Assembly with his/her opinion on the following:

- The reliability of the Office's financial statements
- The effectiveness of the Office's financial controls
- The Office's compliance with *The Provincial Auditor Act*
- The reliability of the Office's key performance indicators

2017 Target: None of the external reviewers report significant deficiencies on the Office's policies and practices.

2017 Results: Target met

CPA Saskatchewan last completed a practice inspection of the Office in 2015. While the 2015 CPA Saskatchewan practice inspection identified some matters that required the Office's attention, it did not identify any significant deficiencies that indicate a potential risk to the public. The Office implemented action plans to address identified matters. The next practice inspection is planned for early 2018.

As part of the CCOLA Peer Review Process, the Office of the Auditor General of Manitoba reviewed two of the Office's non-financial audit files in January 2016. It reported that the Office's work complied with professional standards. The Office requested its next peer review for 2018.

The external auditor of the Office reached unqualified opinions for all of the above areas and had no significant matters to report to the Assembly. The Office's external auditor reports the following:

- The Office's 2016-17 financial statements are reliable, it complied with *The Provincial Auditor Act*, and it had effective financial management systems and practices as set out in the **Independent Auditors' Report on the Financial Statements**, the **Independent Auditors' Report on Compliance with Authorities**, and the **Independent Auditors' Report on Effectiveness of Financial-Related Controls**
- The Office's performance information is reliable as set out in the **Independent Auditors' Report on the Schedule of Results for Key Performance Measures**
- There are no significant matters to report to the Assembly as set out in the **Independent Auditors' Report on Significant Matters**

Goal 4 – Increase the Awareness of the Role of the Office

Gaining and keeping the trust of legislators and the public is key to the Office being a credible and trusted advisor to legislators and the public.

The Office must be well positioned to clearly communicate its purpose, its independence, its work, and how it is accountable. This includes explaining how it manages potential or perceived threats to its independence. Clear and open communications will help ensure legislators, the public, and others have a clear and accurate understanding of its role and responsibilities.

The Office measures its success in increasing awareness of the role of Office using the following measure:

- Public familiarity with the Office

Public Familiarity with the Office

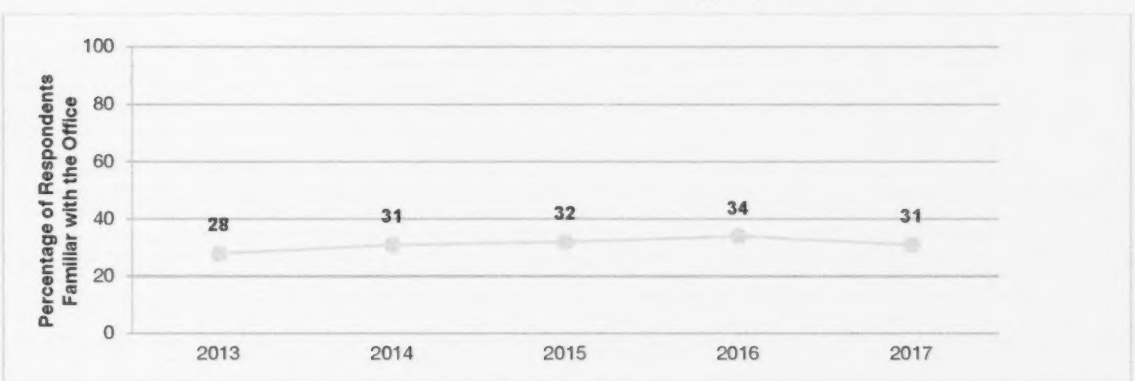
Rationale and description of measure: To achieve the Office's vision and mission, it is important that the public is aware of the Office's work and the role of the Provincial Auditor as an independent Officer of the Legislative Assembly.

To measure the public's awareness of the Office, each year, the Office participates in an online Omnibus survey of Saskatchewan residents and tracks its results. The survey asks participants how familiar they are with the Office of the Provincial Auditor.

2017 Target: Results of annual survey of public familiarity with the Office indicate a positive trend over a five-year period (i.e., from 2013 to 2017 for the current reporting period).

2017 Results: Target not met – The results of the March 2017 survey indicate that 31% of respondents had some familiarity with the Office—a slight decrease from the prior year (2016: 34%). **Exhibit 7—Public Familiarity with the Office from 2013 to 2017** shows the level of public awareness of the Office has remained relatively unchanged over the past five years with about one-third of respondents expressing familiarity with the Office. 801 residents of Saskatchewan responded to the survey question in 2017 (2016: 800 residents). The Office is reassessing its communication strategies to determine how best to communicate to public who primarily rely on social media as their source of information.

Exhibit 7—Public Familiarity with the Office from 2013 to 2017



Independent Auditors' Report on the Schedule of Actual Time Spent on Tasks

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Actual Time Spent on Tasks of the Office of the Provincial Auditor for the year ended March 31, 2017, which is prepared in accordance with the principles as set out in the notes to the schedule of statistical information.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with principles set out in the notes to the schedule, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, this schedule presents fairly, in all material respects, the actual time employees spent on tasks of the Office of the Provincial Auditor for the year ended March 31, 2017, in accordance with the principles set out in the notes to the schedule of statistical information.

Virtus Group LLP

June 20, 2017
Regina, Saskatchewan

Chartered Professional Accountants

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR
SCHEDULE OF ACTUAL TIME SPENT ON TASKS

For the Year Ended March 31

	Actual			Planned	
Employee time	**2015**	**2016**	**2017**	**2017**	**2018**
Working hours	85%	85%	86%	85%	84%
Vacation leave and statutory holidays [1]	13%	13%	12%	13%	14%
Sick leave	2%	2%	2%	2%	2%
Total paid hours	100%	100%	100%	100%	100%
Working hours tasks					
Audits	71% [3]	71% [3]	70%	70%	70%
Support services	11%	11%	11%	11%	11%
Office administration	12%	13% [4]	13% [5]	12%	12%
Training	6% [3]	5% [3]	6%	7%	7%
Total work hours	100%	100%	100%	100%	100%
Total full-time equivalent positions [2]	61	60	61 [6]	62	62

(See accompanying notes)

Explanations of statistical differences in the use of employee time.

1 The Office provides vacation leave and statutory holidays similar to those provided to employees in the public service. Periodically, there is one more statutory holiday (Good Friday) in the period (i.e., 2016 and 2018). Periodically, there is one less statutory holiday (Good Friday) in the period (i.e., 2017).

2 Includes employees and contracted assistance.

3 During 2015 and 2016, some management and specialized training was deferred to meet audit deadlines. Beginning in 2015, some specialized training was available via webinar or in Saskatchewan thereby decreasing travel time for training events.

4 Office administration time increased in 2016 as a result of developing a new five-year Strategic Plan.

5 The Office finalized its Strategic Plan including assigning working groups to begin research on key strategic initiatives.

6 This represents 58 full-time equivalent employees and 3 full-time equivalent contracted assistance.

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR
NOTES TO THE SCHEDULE OF ACTUAL TIME SPENT ON TASKS

For the Year Ended March 31, 2017

1. Purpose

This schedule shows work tasks and the percentage of time spent on these tasks. The schedule shows actual percentages for the years ended March 31, 2015 to March 31, 2017 and planned percentages for these tasks for the years ended March 31, 2017 and 2018.

2. Definitions

Working Hours – This is the time available after deducting vacation leave, statutory holidays, and sick leave.

Vacation Leave and Statutory Holidays – Vacation leave paid. It is based on years of service. Employees also receive paid provincial statutory holidays similar to those provided in the public service.

Sick Leave – Sick leave paid. The amount of paid leave is based on approved leave taken prior to being eligible for long-term disability benefits.

Total Paid Hours – This is the total of working hours, vacation leave, statutory holidays, and sick leave. Employees must work a minimum of 1950 hours per year to receive full pay.

Audit Hours – This is the time spent on the audits set out in the **Schedule of Actual Costs to Audit Government Agencies**. Audit hours do not include the time spent on support services, office administration, and training.

Support Services – This is the time spent on accounting, computer maintenance and support, and other administrative support.

Office Administration – This is time spent on human resource activities, internal committees and working groups, office-wide and division planning activities, and time that does not fall within any other working hours task category.

Training – This is time spent on staff development, courses, and seminars. The time includes both employee attendance time and instructor time when employees instruct courses.

Full-time Equivalent Positions – Total paid hours divided by 1950 hours.

3. Time Allocation Policies

Employees and contract staff are required to record actual time spent on each task to the nearest quarter hour. Staff supervisors approve all time recorded. The Office uses the staff time information to pay employees and contract staff, and monitor productivity. The Office also uses this information to determine and monitor the costs to audit government agencies.

4. Planned Time

The percentages of planned time set out in the Schedule are those presented to the Standing Committee on Public Accounts in the **Schedule of Planned Time Spent on Tasks** in the Office's *Business and Financial Plans* for the related fiscal year.

Management's Representation on the Schedule of Results for Key Performance Measures

We prepared the performance information for key performance measures in accordance with the following principles:

- The performance information is relevant. It is related to stated objectives and performance targets and enables an assessment of our progress towards achieving the objectives and targets. It shows how we achieved the results and how we measured our progress towards the performance targets.
- The performance information is reliable. It is based on data that are accurate, complete, and available over a long period of time and at a reasonable cost. It is derived from data that is fair and unbiased and capable of being replicated by independent and knowledgeable observers.
- The performance information is understandable. It provides the level of detail needed to enable a proper understanding of performance and is limited to a key set of performance measures that are comparable over time and aggregated at appropriate and meaningful levels.

Judy Ferguson, FCPA, FCA
Provincial Auditor

Angèle Borys, CPA, CA, CPHR
Deputy Provincial Auditor and
Chief Operating Officer

June 20, 2017
Regina, Saskatchewan

Independent Auditors' Report on the Schedule of Results for Key Performance Measures

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Results for Key Performance Measures of the Office of the Provincial Auditor reporting management's progress in achieving stated objectives and performance targets for the year ended March 31, 2017, which is prepared in accordance with the reporting principles set out on page 27 of the *Annual Report on Operations*.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with the reporting principles set out on page 27 of the *Annual Report on Operations*, and for such internal control as management determines is necessary to enable the preparation of performance information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of reporting principles used and the reasonableness of significant judgments made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule presents fairly, in all material respects, the Office of the Provincial Auditor's progress towards achieving stated objectives and performance targets in accordance with the reporting principles set out on page 27 of the *Annual Report on Operations*.

Virtus Group LLP

June 20, 2017
Regina, Saskatchewan

Chartered Professional Accountants

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR
SCHEDULE OF RESULTS FOR KEY PERFORMANCE MEASURES

For the Year Ended March 31, 2017

The Office uses performance measures and targets to measure its progress towards achieving its strategic goals and priorities. The following sets out the 2017 Results as compared to Targets for each measure. Measures are grouped under the related goal as set out in the *2017-2021 Strategic Plan*.

Strategic Goals and Priorities	*Performance Measures and Targets*	*2017 Actual Results*
Demonstrate focus on the most relevant audit areas **Priorities** – Seek input from key stakeholder groups to identify areas of focus – Streamline processes to determine areas of focus – Communicate multi-year work plan with key stakeholders	Government acts on 85% of the Office's recommendations	Target met.
	Results for Type 1 recommendations are based on all recommendations that are more than one year old and do not involve major changes made in a five-year period (e.g., for 2017 – April 2012 to March 2017). Results for Type 2 recommendations are based on all recommendations that are more than five years old and involve major changes made in a 10-year period (e.g., for 2017 – April 2007 to March 2017).	Type 1 – 92% (2016 – 93%) Type 2 – 96% (2016 – 99%)
	The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations The results are based on recommendations considered by each Standing Committee during their meetings over the last five-year period (e.g., for 2017 – April 2012 to March 2017).	Target met. 99% (2016 – 99%)
	Auditees' post-audit feedback acknowledges value and satisfaction with our work Results are based on the responses to surveys sent to agencies during a five-year period (e.g., for 2017 – April 2012 to March 2017).	Target met. Agencies value and are satisfied with the Office's work 54% of agencies responded to 274 surveys sent. (2016 – Agencies value and are satisfied with the Office's work. 50% of agencies responded to 307 surveys sent)

—Audited—

Strategic Goals and Priorities	*Performance Measures and Targets*	*2017 Actual Results*
Sustain an engaged work force that contributes to the Office's success **Priorities** – Support leadership development – Enhance strategies to recruit/retain staff – Equip staff to effectively manage change	Results of annual staff survey indicate a positive level of satisfaction with the Office's working environment	Target met. Employees are satisfied
	Employees, through an annual survey, are asked to express their level of satisfaction with 11 key indicators of the Office's working environment.	79% of staff responded to the survey. (2016 – Employees are satisfied. 85% of staff responded to the survey)
	Training in the Office averages a minimum percentage of 7% of available working hours	Target not met. 6% Staff accessed more than expected specialized training available in province or via webinar decreasing travel time for training events. Refer to **Schedule of Actual Time Spent on Tasks**. (2016 – 5%)
Improve our delivery of reliable audits at a reasonable cost **Priorities** – Continuously improve our work – Meet professional standards – Deploy resources based on reasonable budgets and deadlines	The Office provides assurance within agreed upon timelines	
	• Submits Volume 1 within first two weeks of June and Volume 2 within first two weeks of December	Target met. *2016 Report – Volume 1* tabled June 7, 2016 and *2016 Report – Volume 2* tabled December 8, 2016
	• Provides at least 75% of reports to Government agencies by agreed upon dates Results are based on whether the Office provided planned reports (e.g., management letters) to government agencies by agreed upon dates. The information for this measure is not currently audited. The Office plans to have this measure audited in the future.	Target not met. 72% of reports provided by agreed upon dates (unaudited). Our deadlines were impacted by the significant additional work required for the *Special Report: Land Acquisition Processes – The Global Transportation Hub Authority and Ministry of Highways and Infrastructure*; change in fiscal year of Crown corporations, and higher than anticipated staff turnover. (2016 – 80%)
	Office completes audits within planned costs as set out in its approved budget	Target met. Audits completed within planned costs as set out in the 2017 approved budget. Refer to **Schedule of Actual Costs to Audit Government Agencies**. (2016 – Completed within planned costs)

—Audited—

Strategic Goals and Priorities	*Performance Measures and Targets*	*2017 Actual Results*
Improve our delivery of reliable audits at a reasonable cost **Priorities** – Continuously improve our work – Meet professional standards – Deploy resources based on reasonable budgets and deadlines	External reviewers (i.e., CPA Saskatchewan practice inspectors, Canadian Council of Legislative Auditors (CCOLA) peer reviewers, and the Office's external independent auditor on the work of the Office) do not report any significant deficiencies on the Office's policies and practices CPA Saskatchewan periodically inspects the Office's practice for compliance with professional standards. The Office participates in the CCOLA Inter-jurisdictional Peer Review Process every second year. The external auditor of the Office provides audit opinions on the Office's: • Financial statements • Schedule of Actual Costs to Audit Government Agencies • Schedule of Actual Time Spent on Tasks • Schedule of Results for Key Performance Measures • Effectiveness of its financial controls to safeguard public resources • Compliance with authorities	Target met. None of the external reviewers reported significant deficiencies. The 2015 CPA Saskatchewan practice inspection did not identify any serious deficiencies (significant deficiencies), and identified some matters that require the Office's attention. The Office implemented action plans to address these areas. The January 2016 CCOLA peer review reported that the Office's work complied with professional assurance standards. All audit opinions of the Office's external auditor were unqualified. (2016 – no significant deficiencies reported)
Increase the awareness of the role of the Office **Priorities** – Educate the legislators, public, and public sector agencies about the work we do – Enhance accessibility to the work we do	Results of annual survey of public familiarity with the Office indicate a positive trend over a five-year period Each year, the Office participates in an online Omnibus survey of Saskatchewan residents that asks how familiar they are with the Office of the Provincial Auditor.	Target not met. 31% of 801 respondents were somewhat or very familiar with the Office This is a slight decrease from the prior year, the level of public awareness of the Office has remained stable over the past five years. (2016 – 34%, 800 respondents) (2015 – 32%, 800 respondents) (2014 – 31%, 803 respondents) (2013 – 28%, 801 respondents)

Financial Performance

Financial Discussion and Analysis

Introduction

The following financial discussion and analysis should be read with our audited **Financial Statements** and our audited **Schedule of Actual Costs to Audit Government Agencies**.

The financial discussion and analysis provides reasons for significant differences between our actual expenses as compared to budget and to the prior year. Our audited schedule of actual costs to audit government agencies compares our actual costs to planned, and provides reasons for key differences.

	Difference Between 2017 Actual and 2017 Budget	Difference Between 2017 Actual and 2016 Actual
Operating Expense	$ in thousands	
Salaries	$ (307)	$ (3)
Employee benefits	(45)	24
Facilities and equipment	(4)	4
Administration	(42)	--
Agent and advisory services	49	20
Training and development	(27)	16
Total operating expense	**$ (376)**	**$ 61**

Comparison of 2017 Results to Planned (Budget)

The Legislative Assembly funds the activities of the Office. For the 2017 fiscal year, the Legislative Assembly approved an appropriation for the Office of $8,205 thousand and a contingency appropriation of $545 thousand (vote 28). Our *2017 Business and Financial Plan* (Plan) sets out the original basis for the Office's budget. The 2017 budget was based on 62 full-time equivalent (FTE) positions comprised of 60 salaried FTE positions and 2 contracted FTE positions.

Total 2017 operating expenses of $7,830 thousand were $376 thousand less than planned. The key reasons for the difference are as follows:

- **Decrease in salaries of $307 thousand** – The Office leveraged late 2015-16 retirements of senior staff to decrease its salary expenses. Higher than anticipated turnover of manager-level staff caused use of lower than planned staffing levels (actual 2017 salaried positions was 58 FTEs as compared to budgeted 60 FTEs) reducing salary expenses.
- **Decrease in employee benefits of $45 thousand** – The decrease in salaries as noted above reduced salary-based benefit premiums.
- **Decrease in administration of $42 thousand** – Mainly due to fewer audit travel costs than anticipated and savings associated with the decision to not lease a vehicle for the Provincial Auditor.

- **Increase in agent and advisory services of $49 thousand** – Mainly due to more use of contract staff to offset higher than anticipated staff turnover, and unanticipated use of advisors for the *Special Report: Land Acquisition Processes – The Global Transportation Hub Authority and Ministry of Highways and Infrastructure*.
- **Decrease in training and development of $26 thousand** – Some general training was deferred to 2018 and staff accessed more than planned specialized training available in province and via webinar decreasing travel costs for training events.

Comparison of 2017 Results to Prior Year

Total 2017 operating expenses of $7,830 thousand were $61 thousand more than prior year. During 2017, the Office maintained similar expenses for all expense categories as compared to 2016. In both years, our FTE compliment was lower than planned because of higher than anticipated staff turnover. This reflects a robust market for recent professional accountants. In addition, to support fiscal restraint, the Office adjusted its work priorities to complete audit work for the Special Report without accessing the contingency appropriation.

The transfer to the General Revenue Fund of $958 thousand includes the return of unused appropriations and other revenue as required by *The Provincial Auditor Act*.

Comparison of 2017 Costs to Audit Government Agencies to Planned

The Office's costs to audit government agencies is directly influenced by the types and amounts of revenues and expenses of the Government, the number of government agencies, the quality of the Government's and its agencies' records, the co-operation that the Office receives, and the nature and extent of changes in professional standards.

In 2017, the Office was involved in the audits of 249 agencies for a total cost of $7,840 thousand as compared to planned costs of $8,205 thousand. As noted in the audited **Schedule of Actual Costs to Audit Government Agencies**, the Office completed most 2017 audits within the planned costs as set out in its *2017 Business and Financial Plan*. Footnotes to the schedule include reasons for differences between 2017 actual costs and planned costs greater than $75 thousand.

Effectiveness of Financial-Related Controls and Compliance with Authorities

For all government agencies, the Office reports on the effectiveness of their processes to safeguard public resources, prepare reliable financial reports, and comply with the law. These types of assurances (audit reports) are important to legislators and the public.

To provide the legislators and the public with this assurance on the Office, the Office includes in this Report the reports of the Office's external auditor on the effectiveness of the Office's financial management processes and compliance with the law. The **Independent Auditors' Report on Effectiveness of Financial-Related Controls** indicates the Office's controls are effective. **The Independent Auditors' Report on Compliance with Authorities** indicates that the Office complied with the provisions of *The Provincial Auditor Act*.

List of Payees

Consistent with the Legislative Assembly's expectation that all government agencies provide a list of persons who have received money, the **Additional Information** section of this Report includes a list of persons who provided goods and services over $50 thousand to the Office.

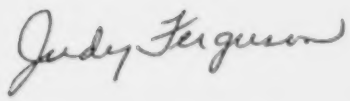
Management's Responsibility for the Financial Statements

The accompanying financial statements, included in the *Annual Report on Operations* of the Provincial Auditor Saskatchewan for the year ended March 31, 2017, are the responsibility of management of the Office. Management has prepared the financial statements in accordance with Canadian public sector accounting standards. Management is responsible for the reliability and integrity of the financial statements and other information contained in the *Annual Report on Operations*. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

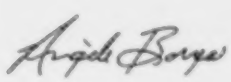
The Office maintains a comprehensive system of internal control including an appropriate code of conduct, written policies and procedures, and an organizational structure that segregates incompatible duties. It has designed its system of internal controls to provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained.

The effectiveness of the Office's controls over safeguarding public resources and its compliance with legislative authorities have been audited by Virtus Group LLP. Virtus Group LLP also audited the financial statements. Virtus Group LLP reported to the Legislative Assembly that the Office's controls are effectively functioning, the Office complied with legislative authorities, and the auditors' opinion on the Office's financial statements is unqualified.

Their reports to the Members of the Legislative Assembly, stating the scope of their examinations and opinions, are included in the *Annual Report on Operations* of the Provincial Auditor Saskatchewan for the year ended March 31, 2017.



Judy Ferguson, FCPA, FCA
Provincial Auditor



Angèle Borys, CPA, CA, CPHR
Deputy Provincial Auditor and
Chief Operating Officer

June 20, 2017
Regina, Saskatchewan

Independent Auditors' Report on the Financial Statements

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Office of the Provincial Auditor which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Provincial Auditor as at March 31, 2017, and the results of its operations, change in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Virtus Group LLP

June 20, 2017
Regina, Saskatchewan

Chartered Professional Accountants

—Audited—

Statement 1

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF FINANCIAL POSITION

As at March 31
(thousands of dollars)

	2017	2016
Financial assets		
Cash (Note 3)	$ 985	$ 1,062
Accounts receivable	7	4
	992	1,066
Liabilities		
Accounts payable	39	30
Accrued vacation pay	48	67
Due to the General Revenue Fund	905	969
	992	1,066
Net debt	-	-
Non-financial assets		
Tangible capital assets (Note 4)	90	86
Prepaid expense	83	72
	173	158
Accumulated surplus	$ 173	$ 158

(See accompanying notes)

—Audited—

Statement 2

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF OPERATIONS

For the Year Ended March 31
(thousands of dollars)

	2017		2016
	Budget (Note 5)	Actual	Actual
Revenue			
General Revenue Fund			
Appropriation	$ 8,205	$ 8,218	$ 8,194
Contingency Appropriation	545	532	548
Other	5	53	27
Total revenue	8,755	8,803	8,769
Expense			
Salaries	5,531	5,224	5,227
Employee benefits (Note 6)	1,005	960	936
Facilities and equipment	732	728	724
Administration	427	385	385
Agent and advisory services	341	390	370
Training and development	170	143	127
Total operating expense	8,206	7,830	7,769
Transfer to General Revenue Fund (Note 7)	550	958	995
Total expense	8,756	8,788	8,764
Annual surplus (deficit)	$ (1)	15	5
Accumulated surplus, beginning of year		158	153
Accumulated surplus, end of year		$ 173	$ 158

(See accompanying notes)

—Audited—

Statement 3

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CHANGE IN NET DEBT

For the Year Ended March 31
(thousands of dollars)

	2017		2016
	Budget	Actual	Actual
Annual surplus (deficit)	$ (1)	$ 15	$ 5
Acquisition of tangible capital assets	(48)	(56)	(34)
Amortization of tangible capital assets	49	52	45
	1	(4)	11
Acquisition of prepaid expenses	-	(83)	(72)
Use of prepaid expenses	-	72	56
	-	(11)	(16)
(Increase) decrease in net debt	-	-	-
Net debt, beginning of year	-	-	-
Net debt, end of year	$ -	$ -	$ -

(See accompanying notes)

—Audited—

Statement 4

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CASH FLOWS

For the Year Ended March 31
(thousands of dollars)

	2017	2016
Operating activities		
Cash received from:		
General Revenue Fund		
Appropriation	$ 8,218	$ 8,194
Contingency appropriation	532	548
Other	53	27
	8,803	8,769
Cash paid for:		
Salaries	5,242	5,204
Supplies and other	3,582	3,451
	8,824	8,655
Cash (used in) provided by operating activities	(21)	114
Capital activities		
Cash used to acquire tangible capital assets	(56)	(34)
Cash used in capital activities	(56)	(34)
(Decrease) Increase in cash	(77)	80
Cash, beginning of year	1,062	982
Cash, end of year (Note 3)	$ 985	$ 1,062

(See accompanying notes)

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

1. General Information

The Provincial Auditor Act establishes the Office of the Provincial Auditor as part of the Legislative Branch of Government independent of the Executive Branch of the Government of Saskatchewan. The Office:

- Examines the administration of government programs and activities carried out by government ministries, health and education institutions, commissions, boards, and Crown corporations (e.g., the Executive Branch)
- Reports the results of examinations to the Legislative Assembly and the public
- Helps the Standing Committees on Public Accounts and Crown and Central Agencies in their review of the Provincial Auditor's reports, the Public Accounts, and other reports

2. Summary of Accounting Policies

The Office uses Canadian public sector accounting standards to prepare its financial statements. A statement of remeasurement gains and losses has not been presented in these financial statements because all financial instruments are measured at amortized cost. The following accounting policies are considered to be significant.

(a) Revenue

The appropriations from the General Revenue Fund are recorded when authorized by the Legislative Assembly.

Other revenue consists of bank interest and the return of surplus funds from the Workers' Compensation Board, which are recorded when earned.

(b) Transfer to General Revenue Fund

The Provincial Auditor Act requires that all other revenue received by the Office be deposited to the General Revenue Fund. The Act also requires the Office return any unspent appropriations, as determined using the expenditure basis of accounting, to the General Revenue Fund.

(c) Tangible Capital Assets

Tangible capital assets are reported at cost less accumulated amortization. Amortization is recorded on a straight-line basis at rates based on estimated useful lives of the tangible capital assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture (desks, file cabinets)	10 years
Other furniture	5 years
Other equipment	3 years

(d) Financial Instruments

The Office's financial instruments include accounts receivable, accounts payable, accrued vacation pay, and due to the General Revenue Fund. All financial instruments are carried at amortized cost, which approximates fair value due to their immediate or short-term maturity. These instruments have no significant exposure to interest rate, credit, or liquidity risks.

3. Cash

Cash consists of interest-bearing money on deposit with the bank. The interest rate remained constant at 0.20% during the year.

4. Tangible Capital Assets

The recognition and measurement of tangible capital assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Office.

	2017 (000's)			2016 (000's)
	Hardware & Software	Furniture & Equipment	Total	Total
Opening costs	$ 456	$ 362	$ 818	$ 810
Additions during the year	52	4	56	34
Disposals during the year	(14)	(2)	(16)	(26)
Closing cost	494	364	858	818
Opening accumulated amortization	443	289	732	713
Annual amortization	33	19	52	45
Disposals	(14)	(2)	(16)	(26)
Closing accumulated amortization	462	306	768	732
Net book value	$ 32	$ 58	$ 90	$ 86

Annual amortization is included in facilities and equipment expense in the Statement of Operations.

5. Budget

The budget shown in the Statement of Operations is presented using the expense basis of accounting.

Under *The Provincial Auditor Act*, the Standing Committee on Public Accounts is charged with the review and approval of the Office's funding request (appropriation and contingency appropriation).

On January 14, 2016, the Standing Committee on Public Accounts approved the Office's funding request of $8,750 thousand that was prepared using the expenditure basis of accounting.

The 2017 Budget and Actual using the expenditure basis of accounting are as follows:

	2017 (000's)	
	Budget	Actual
Revenue		
General Revenue Fund		
Appropriation	$ 8,205	$ 8,218
Contingency Appropriation	545	532
Other	5	53
Total revenue	8,755	8,803
Expenditure		
Salaries	5,531	5,224
Employee benefits	1,005	963
Facilities and equipment	731	738
Administration	427	389
Agent and advisory services	341	390
Training and development	170	141
Total operating expenditure	8,205	7,845
Transfer to General Revenue Fund (Note 7)	550	958
Total expenditure	8,755	8,803
Excess of revenue over expenditure	$ -	$ -

6. *Employee Future Benefits*

The Office participates in a defined contribution pension plan: The Public Employees Pension Plan. The Office's financial obligation to the plan is limited to contributions of 7.6% of employees' salaries for current service. The Office's annual pension expense for 2017 of $411 thousand (2016: $391 thousand) is included in employee benefits.

The Office also participates in The Public Employees Disability Income Plan. The Office's financial obligation to the plan is limited to contributions of 2.14% of employees' salaries for current service. The

Office's annual expense for 2017 of $107 thousand (2016: $103 thousand) is included in employee benefits.

7. Transfer to General Revenue Fund

The $958 thousand transfer (2016: $995 thousand) includes the Office's unspent appropriations of $905 thousand and other revenue (i.e., bank interest and return of surplus funds from Workers' Compensation Board) of $53 thousand.

8. Commitments

In 2011-12, the Office entered into a new 10-year lease commencing April 1, 2012, for its accommodations. Annual lease payments are $488 thousand before escalation adjustments.

For the following fiscal years, the Office is also committed to make future annual payments for operating leases of:

2018	$78 thousand
2019	$50 thousand
2020	$8 thousand

9. Future Changes in Accounting Standards

A number of new standards and amendments to standards issued by the Public Sector Accounting Board are not yet effective and have not been applied in preparing these financial statements.

The Office plans to adopt the following new or amended standards on their effective date and is currently analyzing the impact they may have on the financial statements.

- Related Party Disclosures (effective April 1, 2017)
- Assets (effective April 1, 2017)
- Contingent Assets (effective April 1, 2017)
- Contractual Rights (effective April 1, 2017)

The Office has assessed that the following new or amended standards will have no effect on the financial statements.

- Inter-Entity Transactions (effective April 1, 2017)
- Restructuring Transactions (effective April 1, 2018)
- Public Sector Handbook Introduction (effective January 1, 2017)

Independent Auditors' Report on the Schedule of Actual Costs to Audit Government Agencies

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Actual Costs to Audit Government Agencies of the Office of the Provincial Auditor for the period as described in note 1, which is prepared in accordance with accounting principles as set out in the notes to the schedule of financial information.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles set out in the notes to the schedule, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, this schedule presents fairly, in all material respects, the actual costs to audit government agencies of the Office of the Provincial Auditor for the period as described in note 1 in accordance with the accounting principles set out in the notes to the schedule of financial information.

June 20, 2017
Regina, Saskatchewan

Virtus Group LLP
Chartered Professional Accountants

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR
SCHEDULE OF ACTUAL COSTS TO AUDIT GOVERNMENT AGENCIES

For the Year Ended March 31
(thousands of dollars)

	2017		2016
Government Agency	**Planned Costs**	**Actual Costs**	**Actual Costs**
Advanced Education	$ 882	$ 815	$ 864
Agriculture	230	191	207
Central Services	189	159	195
Economy	423	379	394
Education	680	622	727
Environment	300	327	241
Executive Council	18	15	14
Finance	933	878	818
Government Relations	277	241	208
Health	1,227	1,058 [2]	1,155
Highways and Infrastructure	154	408 [3]	154
Justice	442	486	574
Labour Relations and Workplace Safety	22	22	26
Legislative Assembly	115	108	116
Parks, Culture and Sport	306	323	255
Public Service Commission	67	64	62
Saskatchewan Liquor and Gaming Authority	207	178	338
SaskBuilds Corporation	68	12	16
Social Services	193	174	285
Workers' Compensation Board	85	95	26
Crown Investments Corporation of Saskatchewan [1]	121	83	42
Saskatchewan Gaming Corporation	41	21	26
Saskatchewan Government Insurance	86	50	113
Saskatchewan Opportunities Corporation	16	9	3
Saskatchewan Power Corporation	71	30	52
Saskatchewan Telecommunications Holding Corporation	137	96	25
Saskatchewan Transportation Company	10	5	4
Saskatchewan Water Corporation	21	15	4

—Audited—

Government Agency	2017 Planned Costs	2017 Actual Costs		2016 Actual Costs
SaskEnergy Incorporated	57	26		20
Government-wide and Sectoral Work	294	137	4	130
Legislative Committees and Public Reports	533	441	5	457
	$ 8,205	**$ 7,468**		**$ 7,551**
Estimated costs to complete audits not complete at March 31, 2017 (Note 3)	-	372		-
TOTAL COSTS (Note 4)	**$ 8,205**	**$ 7,840**		**$ 7,551**

(See accompanying notes)

Explanation of differences between 2017 actual costs and planned costs greater than $75 thousand (in thousands of dollars):

1 **Crown Investments Corporation of Saskatchewan, and its subsidiaries and related entities** – The Government's November 2016 decision to change the fiscal year-end of Crown Investments Corporation of Saskatchewan, and its subsidiaries and related entities from December 31 to March 31 changed the timing of the Office's work related to those agencies. Costs for 2016 and 2017 were lower than budgeted during the transition period. The 2017 costs were $190 less than planned. When the Office set its budget for 2018 (i.e., March 31, 2017 year-ends), it expected costs for financial-related audit work for this sector to be similar to prior levels.

2 **Health** – In 2017, the Office's actual costs to March 31 and estimated costs to complete of $106 were $63 less than planned. In 2017, the Office decided its plan to audit risk management processes at the Regina Qu'Appelle Regional Health Authority would no longer add value given the Government's decision to transition to one Provincial Health Authority, decreasing costs by $55.

3 **Highways and Infrastructure** – In 2017, the Office's actual costs were $254 more than planned. 2017 actual costs include unbudgeted work for the *Special Report: Land Acquisition Processes – The Global Transportation Hub Authority and Ministry of Highways and Infrastructure* of $230.

4 **Government-wide and Sectoral Work** – In 2017, the Office's actual costs were $157 less than planned because of fewer complex matters requiring research than originally anticipated.

5 **Legislative Committees and Public Reports** – In 2017, the Office's actual costs were $92 less than planned because of the following: In 2017, Legislative Committee meetings discussing our work met less frequently than originally planned reducing costs by $28. Also, the Office spent less time to prepare and publish its 2017 reports than planned reducing costs by $47.

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR

NOTES TO THE SCHEDULE OF ACTUAL COSTS TO AUDIT GOVERNMENT AGENCIES

For the Year Ended March 31, 2017

1. Purpose

This schedule shows the Office's actual costs incurred up to March 31, 2017 and estimated costs to complete the audits of the various agencies of the Government as compared to the prior year. The results of the Office's 2017 work is reported in its *2016 Report – Volume 2* and *2017 Report – Volume 1* reports tabled in the Legislative Assembly and available on the Office's website. Also, each year, the Office sets out its Annual Work Plan in its *Business and Financial Plan* – **Schedule of Planned Costs to Audit Government Agencies** (Annual Work Plan).

2. Cost Allocation Policies

Government agencies have various fiscal year-ends (e.g., March 31, June 30, August 31, and December 31). Due to the nature of auditing, audit activity related to an agency occurs before and after its fiscal year-end. As such, while most do, not all audits start and finish within the Office's fiscal year. As a result, the Office's total annual operating expenditure is allocated to pay for portions of more than one Annual Work Plan.

Total Operating Expenditure is the total operating expenditure as reported in the audited financial statements for the related fiscal year. It reflects total costs incurred to March 31 in that fiscal year.

Each year, the Office allocates its total operating expenditure to the audit categories set out in its Annual Work Plan. It uses hours reported for each audit in approved employee time sheets as the basis of its allocation. It applies direct costs to their relevant audit agency and year. It determines cost-per-hour based on employees' pay and benefits and a portion of other costs (e.g., facilities and equipment, administration, training and development) allocated based on the planned time spent on audits (audit hours). Cost-per-hour is adjusted periodically to reflect changing employee and office-wide circumstances.

Planned Costs shown on the schedule are the planned costs as presented to the Standing Committee on Public Accounts in the Annual Work Plan for the Office's 2017 fiscal year.

Actual Costs per government agency shown on the schedule are the sum of actual direct costs related to relevant audits plus the resultant of actual time (hours) spent by employees multiplied by cost-per-hour.

3. Additional Cost Information

At March 31, 2017, the Office estimated total costs to complete its 2017 Annual Work Plan would be $7,840 thousand based on estimated costs of $372 thousand to complete audits not done at March 31. At March 31, 2017, the 2016 Annual Work Plan was complete.

—Audited—

Actual	2017	2016
Average Cost-per-hour	$ 107.10	$ 108.65
Direct Costs (in thousands)	$ 176	$ 157

Average cost-per hour is the total operating expenditure for the year less direct costs divided by total hours for all employees for the year. Direct costs are costs other than salaries that are directly related to specific audits (e.g., travel).

4. Source of Funds

The following provides the amount of operating expenditure by fiscal year used to pay for auditing government agencies.

Fiscal Year Costs Incurred	2017 Actual Costs	2016 Actual Costs
	(in 000's)	
2018 (estimate)	$ 372	$ -
2017	5,643	342
2016	1,825	5,598
2015	-	1,611
Total Costs to Audit Government Agencies	**$ 7,840**	**$ 7,551**

Independent Auditors' Report on Effectiveness of Financial-Related Controls

To the Members of the Legislative Assembly of Saskatchewan

We have audited the Office of the Provincial Auditor's operating effectiveness of internal controls as of March 31, 2017 to express an opinion as to the effectiveness of its internal controls related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The Chartered Professional Accountants of Canada (CPA Canada) defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

The Office of the Provincial Auditor's management is responsible for effective control related to the objectives described above. Our responsibility is to express an opinion on the effectiveness of control based on our audit.

We used the control framework included in the *Guidance on Control* published by CPA Canada (control framework) to make our judgments about the effectiveness of the Office of the Provincial Auditor's control. We did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

We conducted our audit in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. Those standards require that we plan and perform an audit to obtain reasonable assurance as to effectiveness of the Office of the Provincial Auditor's control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Our audit on the effectiveness of the Office of the Provincial Auditor's control related to the above objectives does not constitute an audit of internal control over financial reporting performed in conjunction with an audit of financial statements in *CPA Canada Handbook – Assurance* Section 5925 An Audit of Internal Control over Financial Reporting that is Integrated with an Audit of Financial Statements.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In our opinion, based on the limitations above, the Office of the Provincial Auditor's internal controls were effective, in all material respects, to meet the objectives stated above as of March 31, 2017, based on the CPA Canada criteria of control framework.

This report is provided solely for the purposes of assisting the Provincial Auditor in discharging her responsibilities and for preparing her annual report to the Legislative Assembly of Saskatchewan. The report should not be used for any other purpose. Any use that a third party makes of information contained in this report, or any reliance or decisions based on such information, is the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on information contained in this report.

Virtus Group LLP

June 20, 2017
Regina, Saskatchewan

Chartered Professional Accountants

Independent Auditors' Report on Compliance with Authorities

To the Members of the Legislative Assembly of Saskatchewan

We have audited the Office of the Provincial Auditor's compliance with the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended March 31, 2017:

The Provincial Auditor Act

Compliance with the provisions of the stated legislative and related authorities is the responsibility of management of the Office of the Provincial Auditor. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted out audit in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the Office of the Provincial Auditor complied with the criteria established by the legislation and related authorities referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the criteria, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, for the year ended March 31, 2017, the Office of the Provincial Auditor has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities.

This report is provided solely for the purpose of assisting the Provincial Auditor in discharging her responsibilities and for preparing her annual report to the Legislative Assembly of Saskatchewan. The report should not be used for any other purposes. Any use that a third party makes of information contained in this report, or any reliance or decisions based on such information, is the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on information contained in this report.

Virtus Group LLP

June 20, 2017
Regina, Saskatchewan

Chartered Professional Accountants

Independent Auditors' Report on Significant Matters

To the Members of the Legislative Assembly of Saskatchewan

Re: Audit of the Office of the Provincial Auditor for the year ended March 31, 2017

We have completed the above noted audit and have issued our reports on the financial statements, internal controls and legislative compliance dated June 20, 2017.

In accordance with *The Provincial Auditor Act*, our responsibilities to report to the members of the legislative assembly also appear to include:

> To report matters that, in our judgment, are significant (exceptions/deficiencies), if any, which may impact the annual financial statements and related controls.

This report is based only on matters assessed and relied upon for purposes of our audit opinions on the office's financial statements, internal controls and legislative compliance. This form of report is referred to as a derivative report, i.e., it is derived from the process, procedures, and findings related to the audit.

Based on the above noted reporting requirements, we provide the following observations:

Governance and Management Control

- No reportable matters identified.

Systems Control

- No reportable matters identified.

Financial Statement Presentation and Disclosure

- No reportable matters identified.

Other Matters

- No reportable matters identified.

Detailed findings and observations with respect to internal controls, and/or financial statement presentation and disclosure are discussed with the Office's management during the course of and completion of our work.

Virtus Group LLP

June 20, 2017
Regina, Saskatchewan

Chartered Professional Accountants

Additional Information

List of Payees

Salaries

List of employees earning $50,000 or more and their earnings (e.g., salary, vacation pay, flexible benefit account) for the year ended March 31, 2017.

Bachelu, Gaylene	$ 64,505	Novakovski, Jade	$ 59,149
Borys, Angèle	176,575	O'Quinn, Carolyn	160,825
Calder, Mindy	70,686	Oyebode, Toluwalase	72,771
Clemett, Tara	160,825	Pituley, Jonathan	86,825
Deis, Kelly	176,575	Rau, Brent	86,825
Dickin, Deann	91,500	Schwab, Victor	145,825
Dressler, Nicole	86,825	Scott, Douglas	63,009
Drotar, Charlene	138,709	Shaw, Jason	122,575
Ferguson, Judy	237,505	Sommerfeld, Regan	160,825
Griffiths, Clinton	101,881	St. John, Trevor	134,865
Halladeen, Aaron	96,420	Stroh, Evan	86,340
Heebner, Melanie	122,575	Sych, Larissa	55,410
Iles, Amanda	81,815	Tomlin, Heather	91,500
King, Mark	70,689	Toukhi, Shokoufa	73,276
Klassen, Linda	143,752	Volk, Rosemarie	145,825
Lam, Betty	67,372	Wandy, Jason	122,575
Lindenbach, Michelle	118,825	Warkentin, Megan	66,493
Longstaff, Lindsay	55,820	Wolfond, Joshua	76,782
Lowe, Kimberley	145,825	Yanyu, Melissa	68,478
McIntyre, Mitchell	86,825	Yee, Ken	69,476
McKillop, Steven	79,310		

Benefits

List of pension and benefit payments of the Office of the Provincial Auditor for $50,000 or more for the year ended March 31, 2017.

Public Employees Dental Plan	$ 55,490
Public Employees Disability Income Plan	106,779
Public Employees Pension Plan	411,271
Receiver General for Canada – Canada Pension Plan	148,957
Receiver General for Canada – Employment Insurance	65,128
Saskatchewan Blue Cross	71,248
Workers' Compensation Board	51,071

Goods and Services

List of persons or organizations that provided goods and services to the Office of the Provincial Auditor for $50,000 or more for the year ended March 31, 2017.

Institute of Chartered Professional Accountants of Saskatchewan	$ 52,213
MNP LLP (Regina and Saskatoon)	67,758
National Leasing	51,605
Powerland	125,507
S & U Homes (Chateau Tower)	475,617
Virtus Group LLP	59,288

Public Reports

The Office submitted the following reports for tabling in the Legislative Assembly in 2016-17:

- Audit-related:
  - *2016 Report – Volume 1* (June 2016)
  - *2016 Report – Volume 2* (December 2016)
  - *Special Report: Land Acquisition Processes: Global Transportation Hub Authority and Ministry of Highways and Infrastructure* (June 2016)
- Administrative:
  - *Annual Report on Operations For the Year Ended March 31, 2016* (June 2016)
  - *Business and Financial Plan For the Year Ended March 31, 2018* (December 2016)

The Reports are publicly available as soon as they are tabled on the Office's website—www.auditor.sk.ca.

Office Values

The Office uses the following Value Statements to guide the Office and its staff. The Value Statements highlight specific behaviours expected of the Office and its staff; adherence to them is critical to the Office's achievement of its mandate and success.

Independence—We maintain objectivity

Innovation—We challenge the status quo to strive for excellence

Trust and Integrity—We are professional, honest, courteous, and fair

Leadership—We lead by example and encourage open communication and teamwork

Balance—We support harmony between work, personal life, and community involvement

Learning—We promote a culture of continuous learning that stimulates personal and professional growth

Diversity of Thought—We gain strength from our varied experiences, knowledge and backgrounds

Accountability—We take responsibility for our work and performance

Glossary of Terms

Agency – an entity of Government accountable for public money

Auditee – management of public sector ministries and agencies audited by the Office

CCOLA – the Canadian Council of Legislative Auditors is an organization devoted to sharing information and supporting the continued development of auditing methodology, practices, and professional development in legislative auditing

CPA Canada – Chartered Professional Accountants Canada represents Canada's Chartered Professional Accountant profession both nationally and internationally

Crown and Central Agencies Committee – the Standing Committee on Crown and Central Agencies considers matters relating to the Crown Investments Corporation of Saskatchewan and its subsidiaries, central government agencies, liquor, gaming, and all other revenue related agencies and entities

General Revenue Fund (GRF) – is the main fund that receives government revenue. The GRF is available for appropriation by the Legislative Assembly for the public services of Saskatchewan. The GRF financial statements account for transactions of the GRF

Mission – the fundamental purpose or reason for being, what it does, for what purpose, and who its clients are

Performance Measure – an indicator of success that marks progress towards goals and is fundamental to measuring alignment to the organization's vision, mission, and values

Public Accounts Committee (PAC) – the Standing Committee on Public Accounts scrutinizes the fiscal management, administration, and stewardship of public assets by the Government of Saskatchewan

Strategic Goal – statement that establishes time bound 'stretch' that, if achieved, would advance the organization towards its vision

Strategic Priority – a change condition necessary to achieve the organization's goal that requires investment (i.e., people, time, money, other resources)

Target – a clear and measurable definition of success that signals what is important, tells what is expected (e.g., how much by when), and helps focus attention

Vision – a description of the preferred state written as an aspirational statement